World Bank Assistance for Training of IT Engineers

2936. SHRI RUMANDLA RAMACHANDRAIAH: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government have approached the World Bank for part financing of $ 1 billion project 'Operation Knowledge' to triple to number of engineers passing out from the Indian colleges by 2005;

(b) if so, whether his Ministry has sought partial financial support from the World Bank which would be used for generating trained manpower to fulfil the burgeoning national and international demands;

(c) if so, to what extent the World Bank has agreed to provide loan; and

(d) whether any agreement has been reached in this regard;

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) The Ministry of Information Technology has sent an outline of the scheme for "Operation Knowledge" to the President, World Bank on 14.11.2000 with a request to be a partner with the Government of India in its implementation.

(c) and (d) The response of the World Bank in the matter is awaited.

Policy for Information Technology Sector

†2937. SHRI JHUMUK LAL BHENDIA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government are considering to formulate any policy to give a long-term direction to the information technology sector and for development of its second phase;

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†Original notice of the question was received in Hindi.

(b) whether any scheme has been formulated and target has been fixed to extend the benefit of computer throughout the country; and

(c) if so, the details thereof and by when it would be implemented?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) Government views the Information Technology to be a dynamic sector of growth in the Indian economy. The National Task Force on Information Technology and Software Development has set a goal of India achieving a predominant position in IT by the year 2008. It has been estimated that the likely quantum of business in this sector would be more than US $ 100 billions, by that time.

Government of India, through Ministry of Information Technology, takes various initiatives to accelerate growth in the software as well as hardware sectors, and application-oriented research and development. Various incentives given to software and hardware sectors are given in Statements I and II respectively *(See* below).

The Government has also provided a number of fiscal incentives and support measures to boost research and development in industry and increase utilization of locally available R&D options for industrial developments. Some of the notable measures are (i) writing off of revenue and capital expenditure on R&D, (ii) weighted tax deduction on R&D expenditure to companies engaged in the business of manufacturing. (iii) customs & excise duty exemption to public and privately funded R&D institutions, etc.

Besides, Government of India, through Ministry of Information Technology, has been regularly funding R&D projects to accelerate indigenous development of appropriate technologies relevant to Electronics & IT sector.

(b) and (c) In various schemes formulated by Government, the thrust is to encourage the use of Information Technology to facilitate Government-citizen interface. In other areas, Government's role is of a facilitator and motivator for integrating IT within the economy and the educational system.

Among the various schemes aiming at promotion of IT and the benefits of computers throughout the country, notable are the (i) e-Governance to provide for citizen-Government interface, (ii) proposed upgradation of one million PCO telephone booths to cyber communication centres, (iii) development of appropriate hardware for proliferation of internet at affordable cost, (iv) development of secure communication systems for IT applications, etc. Government has also agreed in principle to implement a scheme, through Ministry of Information Technology, for setting up Community Information Centres (CIC) at all block headquarters of North-East States, Jammu & Kashmir and Sikkim to provide connectivity and Internet access. The pilot project for setting up 30 such Centres in eight North-East States including Sikkim has already been completed. The main project is expected to be completed by March, 2002.

Statement-I

Incentives for Software Sector

1. Export Promotion Capitals Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology Sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.
3. Powers of approval of the Designated Officers of MIT for implementation of STP scheme have been further enhanced upto US $ 20 million.
4. Accelerated depreciation norms for computers and computer peripherals for units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.
5. DTA access upto 50% of the FOB value of export is permitted for software units under EOU/STP schemes.
6. In the 2000-01 Budget, Customs duty on Computers and

Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20—25% to 15%.

7. Information Technology Software is exempted from Customs and Excise Duty.

8. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act. On site development of computer software and services will also be eligible for tax exemption.

9. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

10. Benefit of Section 80 HHE is available to supporting software developers.

11. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

12. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

13. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

14. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates

applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

15. Under policy on portfolio invesmtent, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the Budget 2001-02.

16. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.

17. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

18. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps.

19. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research has been provided.

20. Information Technology Act 2000 has been enacted. This act

deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.

/Parl. Quest. Material/Incentives for electronics and IT Sector 5.3.2001

Statement-II

Steps taken by the Government to promote Electronics Hardware Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.
2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B 2 C) e-commerce are under the automatic route.
3. Powers of approval of the Designated Officers of MIT for implementation of EHTP scheme have been further enhanced upto US $ 20 million.
4. Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.
5. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes. Broadbanding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.
6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.
7. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.
8. The Depreciation on Computers has been allowed @ 60%.
9. In the Budget 2001-02, the peak rate of customs duty continues

@ 35% Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specific exemptions. In the 2000-01 Budget, Customs duty on Computers and Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20—25% to 15%. The concessional rate of customs duty for specified raw materials for the electronics industry continues.

10. In the Budget 2001-02, the Central Excise duty structure has been rationalised from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%.

11. Information Technology Software is exempted from Customs and Excise Duty.

12. EOU/EPZ/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Section 10A and 10B of the Income Tax Act.

13. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

14. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

15. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research has been provided.

16. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other

information security related legal aspects. This will encourage expansion of e-commerce through internet.

Growth of I T Industry

2938. SHRI B. J. PANDA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) the target set for the growth of Information Technology Industry during the Ninth Plan;

(b) the achievements made in this regard; and

(c) the details of the various steps proposed to be taken to give boost to IT industry in the coming years?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) The Ninth Five Year Plan targets and production of the Information Technology Industry (computer hardware and software) during the first four years of Ninth Plan are as follows:—

(Rs. Crores)

Year	Targets	Production
1997-98	14,450	12,770
1998-99	21,700	18,190
1999-00	32,650	26,850
2000-01	32,650	49,100

(c) To give a boost to the IT Industry in the coming years, the Government is contemplating steps to develop infrastructure for IT industry like Telecom infrastructure, availability of bandwidth, De-regulation of Long Distance Operation, Submarine Fiber Cable Landing Policy, VSNL monopoly to end by March, 2000, etc. The Government has set up a Task Force on Human Resource Development to meet 2.2 million IT professionals requirement by 2008. It is proposed to increase the quality and quantity of IT